

WINNEBAGO COUNTY

Forest City, Iowa

**INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

June 30, 2008

WINNEBAGO COUNTY
Forest City, Iowa

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WINNEBAGO COUNTY
Forest City, Iowa

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gorden Anderson	Board of Supervisors	January 2009
James Oulman	Board of Supervisors	January 2011
Warren Wubben	Board of Supervisors	January 2011
Jennifer Fjelstad	Auditor	January 2009
Julie Swenson	Treasurer	January 2011
Kristin Colby	Recorder	January 2011
Thomas Lillquist	Sheriff	January 2009
Robert Cooper	Attorney	January 2011
Lowell Ouverson	Assessor	Appointed



Gardiner Thomsen
Certified Public Accountants

Independent Auditors' Report

To the Officials of Winnebago County
Forest City, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Winnebago County, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Winnebago County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Winnebago County at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our reports dated March 13, 2009 on our consideration of Winnebago County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4- 9 and 36 - 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Winnebago County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

March 13, 2009

Gardiner Thomsen, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Winnebago County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased, approximately \$1,232,739, from fiscal 2007 to fiscal 2008. Property tax increased approximately \$201,912, operating grants, capital grants and contributions decreased approximately \$2,073,953 and charges for services increased approximately \$590,054.
- Program expenses were 3%, or approximately \$291,444 more in fiscal 2008 than in fiscal 2007.
- The County's net assets increased 3%, or approximately \$479,300 from June 30, 2007 to June 30, 2008.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Winnebago County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Winnebago County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue and the individual Agency Funds.

Reporting the County's Financial Activities

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are displayed in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration or general government, interest on long-term debt and other non-program activities. Property taxes and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Funds. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) Proprietary funds account for the County's Internal Service Fund, Employee Group Health Insurance Account. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for E911 services and the County Assessor, for example.

The required financial statements for fiduciary funds include a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Winnebago County's combined net assets increased from a year ago, from \$13.79 million to \$14.27 million. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities
(Expressed in Thousands)

	2008	2007
Current and Other Assets	\$8,438	\$8,245
Capital Assets	11,250	10,822
Total Assets	19,688	19,067
Long-Term Debt Outstanding	866	913
Other Liabilities	4,548	4,360
Total Liabilities	5,414	5,273
Net Assets:		
Invested in Capital Assets, Net of debt	11,236	10,822
Restricted	1,924	2,203
Unrestricted	1,114	769
Total Net Assets	\$14,274	\$13,794

Net assets of the Winnebago County's governmental activities increased by 3% (\$14.27 million compared to \$13.79 million). The largest portion of the County's net assets is the invested in capital assets (e.g. land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenant, enabling legislation or other legal requirements was \$1,113,540.

Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

	2008	2007
Program Revenues:		
Charges for Service	\$2,193	\$1,603
Operating Grants, Contributions and Restricted Interest	2,780	3,312
Capital Grants, Contributions and Restricted Interest	225	1,768
General Revenues:		
Property Taxes	3,479	3,509
Penalty and Interest on Property Tax	29	39
State Tax Credits	213	210
Local Option Sales Tax	310	322
Unrestricted Investments Earnings	136	144
Other General Revenues	398	87
Total Revenues	9,763	10,994
Program Expenses:		
Public Safety and Legal Services	1,202	1,068
Physical Health and Social Services	729	639
Mental Health	1,455	1,371
County Environment and Education	553	541
Roads and Transportation	3,393	3,268
Government Services to Residents	340	343
Administration	797	763
Non-program	813	990
Interest on Long-Term Debt	1	8
Total Expenses	9,283	8,991
Increase in Net Assets	480	2,003
Net Assets – Beginning of Year	13,794	11,791
Net Assets – End of Year	\$14,274	\$13,794

The results of governmental activities for the year resulted in Winnebago County's net assets increasing by approximately \$479,300. Revenues for governmental activities decreased by approximately \$1,232,739 over the prior year, with property tax revenue down from the prior year by approximately \$201,912.

The cost of all governmental activities this year was \$9,282,503 compared to \$8,991,059 last year. However, as shown in the Statement of Activities, the amount taxpayers ultimately financed for these activities was \$4.08 million because of the cost was paid by those directly benefiting from the programs (\$2,192,798) or by other governmental and organizations that subsidized certain programs with grants and contributions (\$3,006,570). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in 2008 from approximately \$6.681 million to \$7.228 million. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$3.4 million in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUNDS

As Winnebago County completed the year, its governmental funds reported a combined fund balance of \$3,426,558, an increase of \$61,392 above last year's total of \$3,365,166. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$102,325 and expenditures increased approximately \$329,492 when compared to the prior year. The ending fund balance showed an increase of \$105,728 from the prior year to \$1,165,778.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,446,283, an increase of 5% from the prior year. The Mental Health Fund balance at year end decreased by approximately \$182,764 over the prior year.
- Secondary Roads Fund expenditures increased by approximately \$593,244 over the prior year. The Secondary Roads Fund ending balance decreased approximately by \$285,464.

BUDGETARY HIGHLIGHTS

Over the course of the year, Winnebago County amended its budget two times. The amendments were made in May 2008 and June 2008, and resulted in an increase in budgeted disbursements related to all functions.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2008, Winnebago County had approximately \$11.250 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net increase (including additions and deletions) of approximately \$428,000 or 3% over last year.

Capital Assets at Year End of Governmental Activities
(Expressed in Thousands)

	2008	2007
Land	\$1,038	\$858
Buildings and Improvements	3,128	3,232
Equipment	1,776	2,009
Infrastructure	5,308	4,723
Total	<u>\$11,250</u>	<u>\$10,822</u>

This year's major additions include (expressed in thousands)

Holland Land	\$179
Secondary Road Equipment	63
Infrastructure	880
	<u>\$1,122</u>

The County had depreciation expense of \$756,819 for the year ended June 30, 2008 and total accumulated depreciation of \$5.557 million at June 30, 2008.

The County's fiscal year 2008 capital budget included \$1,073,296 for capital projects, principally for continued upgrading of secondary roads and bridges. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long – Term Debt

At June 30, 2008, Winnebago County had approximately \$858,537 in general obligation notes and other debt outstanding compared to approximately \$916,144 at June 30, 2007, as shown below.

Outstanding Debt at Year-End of Governmental Activities
(Expressed in Thousands)

	2008	2007
Installment Purchases	\$14	\$0
County Operating Loan	0	150
Notes & Contracts	50	0
Drainage Warrant and Improvement Certificates	649	618
Compensated Absences	136	145
Termination Benefits	10	3
	<u>\$859</u>	<u>\$916</u>

Debt decreased as a result of paying the operating loan.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Winnebago County's outstanding general obligation debt is significantly below its constitutional debt limit of \$30.1 million. Other obligations include accrued vacation pay and sick leave. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Winnebago County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2009 budget, tax rates, and the fees that will be charged for various County activities.

One of those factors is the economy. The County's nonagricultural employment continued to increase in 2008 as more family farms either sold to larger operations or stopped farming all together. The population in Winnebago County, however, continued to decline in 2008 as elderly population far exceeds the 20-30 age group.

Unemployment in the County now stands at 8.5% versus 3.5% a year ago, which shows an increase of 5% with more people being unemployed in the County. This is mostly due to the large layoffs of employees from area manufacturing companies who are experiencing trying times due to the tough economic conditions nationwide and worldwide. This compares with the state unemployment rate of 4% for 2008 and the national rate of 5.8% for 2008. This shows that Winnebago County's citizens are experiencing less new job opportunities currently than the State or National averages. This is likely due in part to the large manufacturing base residing in Winnebago County. The service sector (medical, insurance, finance) has remained relatively stable while the agricultural sector in Winnebago County actually saw a slight increase in investments being made.

Even in these tough economic times, Winnebago County residents have been creative in seeking new income opportunities. Some employees that have been laid off have gone back to college to pursue a different career course. Some residents have started their own business and others have found employment in the area (either part-time or temporary) to tide them over until another full-time opportunity arises. The people of Winnebago County have and will continue to use the resources available to them until the conditions improve and more job opportunities occur. The outlook for 2009 in the manufacturing job sector looks to stay stable or decrease slightly while the service and agricultural job sectors also look to remain stable.

The food prices remained relatively stable in 2008 while the fuel prices declined towards the last quarter of 2008 allowing Winnebago County residents to keep more dollars in their pocket. Utility expenses rose in early 2008 and fell some toward late 2008, again affecting the consumer's pocket book. The outlook for 2009 with these expenses remains unknown.

With more dollars being spent on basic living expenses, Winnebago County's citizens' needs were considered when preparing the 2009 County Budget. Amounts available for appropriation in the operating budget are \$10,825,199 million. The County has added no major new programs or initiatives in the 2009 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Winnebago County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Winnebago County Auditor's Office, 126 South Clark Street, Forest City, Iowa.

WINNEBAGO COUNTY**Forest City, Iowa****STATEMENT OF NET ASSETS**

June 30, 2008

	Governmental Activities
ASSETS	
Cash & Pooled Investments	\$2,900,111
Receivables:	
Property Tax:	
Delinquent	21,339
Succeeding Year	4,040,028
Interest & Penalty On Property Tax	327
Accounts	257,795
Accrued Interest	10,651
Special Assessments	49,578
Drainage Assessments	377,795
Due From Other Governments	271,617
Inventories	491,045
Prepaid Insurance	17,435
Capital Assets (Net of Accumulated Depreciation)	11,250,255
Total Assets	19,687,976
LIABILITIES	
Accounts Payable	261,646
Accrued Interest Payable	70,746
Salaries & Benefits Payable	32,054
Due To Other Governments	143,337
Deferred Revenue:	
Succeeding Year Property Tax	4,040,028
Long Term Liabilities:	
Portion Due Or Payable Within One Year:	
Installment Purchases	7,027
Notes & Contracts	4,958
Compensated Absences	143,575
Termination Benefits	4,212
Portion Due Or Payable After One Year:	
Installment Purchases	7,442
Notes & Contracts	44,621
Termination Benefits	5,967
Drainage Warrants/Improvement Certificates	648,722
Total Liabilities	5,414,335
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	11,235,786
Restricted For:	
Mental Health Purposes	178,118
Secondary Roads Purposes	1,010,964
Debt Service	3,778
Other Purposes	925,694
Unrestricted	919,301
Total Net Assets	\$14,273,641

See Notes To Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

		Program Revenues
	Expenses	Charges for Service
FUNCTIONS/PROGRAMS:		
Governmental Activities:		
Public Safety & Legal Services	\$1,202,372	\$232,614
Physical Health & Social Services	729,108	458,950
Mental Health	1,454,309	1,131
County Environment & Education	552,918	14,944
Roads & Transportation	3,392,432	570,991
Governmental Services to Residents	339,694	221,366
Administrative Services	797,293	125,430
Non-Program	813,290	567,372
Interest on Long Term Debt	1,087	0
TOTAL FUNCTIONS/PROGRAMS	\$9,282,503	\$2,192,798

GENERAL REVENUES:

Property & Other County Tax Levied For:
General Purposes
Debt Service
Penalty & Interest on Property Tax
State Tax Credits
Local Option Sales Tax
Tax Increment Financing
Unrestricted Investment Earnings
Miscellaneous
Gain on Disposal of Capital Assets

TOTAL GENERAL REVENUES

CHANGE IN NET ASSETS

NET ASSETS, BEGINNING OF YEAR

NET ASSETS END OF YEAR

See Notes To Financial Statements

Exhibit B

Program Revenues		
Operating Grants, Contributions, & Restricted Interest	Capital Grants, Contributions, & Restricted Interest	Net (Expense) Revenue & Changes in Net Assets
\$4,242	\$0	\$(965,516)
188,350	0	(81,808)
825,473	0	(627,705)
47,451	205,641	(284,882)
1,712,705	19,787	(1,088,949)
0	0	(118,328)
1,921	0	(669,942)
0	0	(245,918)
0	0	(1,087)
<u>\$2,780,142</u>	<u>\$225,428</u>	<u>(4,084,135)</u>

3,328,605
149,874
29,296
212,649
309,415
230,792
135,846
120,544
46,414
<u>4,563,435</u>
479,300
<u>13,794,341</u>
<u>\$14,273,641</u>

WINNEBAGO COUNTY
Forest City, Iowa

BALANCE SHEET
GOVERNMENTAL FUNDS
 June 30, 2008

	General	Special Revenue			Nonmajor	Total
		Mental Health	Rural Services	Secondary Roads		
ASSETS						
Cash & Pooled Investments	\$1,082,364	\$303,830	\$195,150	\$512,754	\$790,519	\$2,884,617
Receivables:						
Property Tax:						
Delinquent	11,678	2,621	6,144	0	896	21,339
Succeeding Year	2,038,583	410,770	1,415,647	0	175,028	4,040,028
Interest & Penalty on Property Tax	327	0	0	0	0	327
Accounts	80,791	18,661	0	21,718	136,625	257,795
Accrued Interest	10,480	0	0	0	171	10,651
Assessments	0	0	0	49,578	0	49,578
Drainage Assessments	0	0	0	0	377,795	377,795
Due From Other Funds	6,952	0	0	0	0	6,952
Due From Other Governments	23,414	29,469	0	144,212	74,522	271,617
Inventories	0	0	0	491,045	0	491,045
Prepaid Insurance	3,143	0	0	14,292	0	17,435
Total Assets	\$3,257,732	\$765,351	\$1,616,941	\$1,233,599	\$1,555,556	\$8,429,179

LIABILITIES & FUND BALANCES

Liabilities:						
Accounts Payable	\$39,390	\$33,126	\$105,848	\$72,576	\$10,706	\$261,646
Interest Payable	0	0	0	0	69,651	69,651
Salaries & Benefits Payable	2,730	0	3,624	17,662	8,038	32,054
Due To Other Governments	0	143,337	0	0	0	143,337
Compensated Absences	0	0	0	7,986	0	7,986
Deferred Revenue:						
Succeeding Year Property Tax	2,038,583	410,770	1,415,647	0	175,028	4,040,028
Other	11,251	2,535	5,864	49,578	378,691	447,919
Total Liabilities	2,091,954	589,768	1,530,983	147,802	642,114	5,002,621
Fund Balances						
Reserved For:						
Inventories	0	0	0	491,045	0	491,045
Debt Service	0	0	0	0	2,882	2,882
Unreserved, Reported In:						
General Fund	1,165,778	0	0	0	0	1,165,778
Special Revenue Funds	0	175,583	85,958	594,752	910,560	1,766,853
Total Fund Balances	1,165,778	175,583	85,958	1,085,797	913,442	3,426,558
Total Liabilities and Fund Balances	\$3,257,732	\$765,351	\$1,616,941	\$1,233,599	\$1,555,556	\$8,429,179

See Notes To Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2008

Total Governmental Fund Balances (Page 13)	\$3,426,558
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of the assets is \$16,807,483 and the accumulated depreciation is \$5,557,228.	11,250,255
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Other long term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.	447,919
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The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	8,542
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Long-term liabilities, including capital lease purchase agreements payable, bonds payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(859,633)</u>
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Net Assets of Governmental Activities (Pages 11 and 12)	<u>\$14,273,641</u>
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See Notes to Financial Statements.

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2008

		Special Revenue				
	General	Mental Health	Rural Services	Secondary Roads	Nonmajor	Total
REVENUES:						
Property & Other County Tax	\$1,830,673	\$410,851	\$1,085,123	\$0	\$694,059	\$4,020,706
Interest & Penalty on Property Tax	29,296	0	0	0	0	29,296
Intergovernmental	357,028	851,198	63,540	1,732,492	332,098	3,336,356
Licenses & Permits	889	0	1,020	21,700	7,485	31,094
Charges for Services	261,749	0	0	460,850	557,386	1,279,985
Use of Money & Property	134,775	0	0	4,000	3,133	141,908
Miscellaneous	31,985	1,470	1,408	85,910	613,590	734,363
Total Revenues	2,646,395	1,263,519	1,151,091	2,304,952	2,207,751	9,573,708
EXPENDITURES:						
Operating:						
Public Safety & Legal Services	1,188,079	0	0	0	18,799	1,206,878
Physical Health & Social Services	147,097	0	0	0	567,894	714,991
Mental Health	0	1,446,283	0	0	0	1,446,283
County Environment & Education	184,224	0	177,867	0	162,035	524,126
Roads & Transportation	0	0	229,774	2,562,811	0	2,792,585
Governmental Services to Residents	332,877	0	464	0	187	333,528
Administrative Services	712,664	0	2,456	0	0	715,120
Non-Program	300	0	4,444	0	1,027,400	1,032,144
Debt Service	7,881	0	0	0	157,566	165,447
Capital Projects	0	0	0	894,541	151,693	1,046,234
Total Expenditures	2,573,122	1,446,283	415,005	3,457,352	2,085,574	9,977,336
Excess (Deficiency) of Revenues Over (Under) Expenditures	73,273	(182,764)	736,086	(1,152,400)	122,177	(403,628)
Other Financing Sources (Uses):						
Sale of Capital Assets	0	0	0	69,972	0	69,972
Operating Transfers In	275,989	0	142,318	732,325	297,884	1,448,516
Operating Transfers Out	(265,884)	0	(764,325)	0	(418,307)	(1,448,516)
Proceeds from Long-Term Debt	22,350	0	0	49,579	0	71,929
Proceeds of Issuance of Stamped Warrants	0	0	0	0	308,059	308,059
Total Other Financing Sources (Uses)	32,455	0	(622,007)	851,876	187,636	449,960
Net Change in Fund Balances	105,728	(182,764)	114,079	(300,524)	309,813	46,332
Fund Balances – Beginning of Year	1,060,050	358,347	(28,121)	1,371,261	603,629	3,365,166
Decrease In Reserve for Notes Receivable	0	0	0	(2,500)	0	(2,500)
Increase in Reserve For Inventories	0	0	0	17,560	0	17,560
Fund Balances – End of Year	\$1,165,778	\$175,583	\$85,958	\$1,085,797	\$913,442	\$3,426,558

See Notes To Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

**RECONCILIATION OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds (Page 15) **\$43,832**

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlays exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$1,133,111	
Capital assets acquired through Habitat Stamp	72,550	
Depreciation Expense	<u>(756,819)</u>	448,842

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increases financial resources. (21,058)

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds.

Property tax	2,854	
Other	<u>15,808</u>	18,662

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the Statement of Net Assets. Current year issues exceeded repayments as follows:

Issued	(395,093)	
Repaid	<u>443,004</u>	47,911

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences	6,232	
Interest on long-term debt	<u>6,479</u>	12,711

Inventories in the governmental funds have been recorded as expenditures when paid. However, the statement of activities will report these items as expenditures in the period that the corresponding net asset is exhausted. 17,560

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities (89,160)

Change in Net Assets of Governmental Activities (Page 12) **\$479,300**

See Notes to Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2008

	Internal Service Employee Group Health
<hr/>	
ASSETS	
Cash & Cash Equivalents	\$8,542
<hr/>	
NET ASSETS	
Unrestricted	\$8,542
<hr/>	

See Notes To Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2008

	Internal Service Employee Group Health
Operating Revenues:	
Reimbursements from Operating Funds	\$501,518
Reimbursements from Employees	42,018
Other Reimbursements	34,113
Total Operating Revenues	577,649
Operating Expenses:	
Medical Claims	338,710
Insurance Premiums	325,255
Administrative Fees	2,349
Miscellaneous	495
Total Operating Expenses	666,809
Net Loss	(89,160)
Net Assets Beginning of Year	97,702
Net Assets End of Year	\$8,542

See Notes To Financial Statements

**WINNEBAGO COUNTY
Forest City, Iowa****STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2008**

	Internal Service Employee Group Health
Cash Flows from Operating Activities:	
Cash Received from Operating Fund Reimbursements	\$501,518
Cash Received from Employees and Others	76,132
Cash Payments to Suppliers for Services	(666,810)
Net Cash Used In Operating Activities	(89,160)
Net Decrease in Cash and Cash Equivalents	(89,160)
Cash and Cash Equivalents at Beginning of Year	97,702
Cash and Cash Equivalents at End of Year	\$8,542
 Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating Loss	\$(89,160)
Net Cash Used in Operating Activities	\$(89,160)

See Notes To Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2008

ASSETS

Cash & Pooled Investments	
County Treasurer	\$728,767
Other County Officials	10,171
Receivables:	
Property Tax:	
Delinquent	2,347
Succeeding Year	9,224,759
Accounts	22,000
Accrued Interest	277
Assessments	392,065
Total Assets	<u>10,380,386</u>

LIABILITIES

Accounts Payable	61,988
Due To Other Governments	10,285,585
Trusts Payable	24,270
Compensated Absences	8,543
Total Liabilities	<u>10,380,386</u>

NET ASSETS	<u><u>\$0</u></u>
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See Notes To Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Winnebago County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are presented in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. REPORTING ENTITY

For financial reporting purposes, Winnebago County has included all funds, organizations, agencies, boards, commissions, and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County.

These financial statements present Winnebago County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

One hundred drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Winnebago County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of these drainage districts can be obtained from the Winnebago County Auditor's office.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The Winnebago County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Winnebago County Assessor's Conference Board and Winnebago County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. BASIS OF PRESENTATION

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the County and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other non-exchange transactions.

The Statement of Net Assets presents the County's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary fund and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

B. BASIS OF PRESENTATION (CONTINUED)

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for the secondary road construction and maintenance.

Additionally, the County reports the followings funds:

Proprietary Fund – An Internal Service Fund is utilized to account for the financing of goods and services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds – Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units, and/or other funds.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long term debt, claims, judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply the cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The proprietary fund of the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on a cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY

The following accounting policies are followed in preparing the combined balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2006.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable, but has not been collected.

Drainage Assessment Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2008, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	20-50
Infrastructure	30-50
Equipment	2-20

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as delinquent property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absence liability attributable to the governmental activities will be paid primarily by the General, Mental Health and Secondary Roads Funds.

Long-term Liabilities – In the government-wide financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets – The net assets of the Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded amounts budgeted in the Roads & Transportation, Non-program, and Debt Service functions.

Notes to Financial Statements (Continued)

Note 2: Cash and Pooled Investments

The County's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Note 3: Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2008 is as follows:

Receivable Fund	Payable Fund	Amount
General	Agency Fund:	
	Auto License & Use Tax	\$6,952

These balances result from the time lag between the dates interfund goods and services are provided or reimbursable expenses occur, transactions are recorded in the accounting systems and payments between funds are made.

Note 4: Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2008 is as follows:

Transfer To	Transfer From	Amount
	Special Revenue:	
General	Local Option Sales Tax	\$228,555
General	Housing	200
General	Solid Waste Management	44,893
General	Employee Health & Wellness	15
General	Debt Service	2,326
Special Revenue:	Special Revenue:	
Rural Services	Local Option Sales Tax	76,185
Rural Services	Tax Increment Financing	16,133
Rural Services	Solid Waste Management	50,000
Secondary Roads	Rural Services	732,325
Fair Association	Rural Services	32,000
Public Health	General	218,000
Winnebago/Worth BETCO	General	42,884
Debt Service	General	5,000

Notes to Financial Statements (Continued)

Note 4: Interfund Transfers (Continued)

Transfer To	Transfer From	Amount
Agency:	Agency:	
Assessor	Assessor FICA	\$6,100
Assessor	Assessor IPERS	4,850
Total		<u>\$1,459,466</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 5: Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$858,128	\$179,605	\$0	\$1,037,733
Total Capital Assets Not Being Depreciated	<u>858,128</u>	<u>179,605</u>	<u>0</u>	<u>1,037,733</u>
Capital Assets Being Depreciated:				
Buildings	3,577,776	0	39,858	3,537,918
Improvements Other Than Buildings	446,894	0	0	446,894
Machinery and Equipment	3,719,571	68,152	12,233	3,775,490
Vehicles	1,990,942	78,168	29,685	2,039,425
Infrastructure, Road Network	5,090,287	879,736	0	5,970,023
Total Capital Assets being Depreciated	<u>14,825,470</u>	<u>1,026,056</u>	<u>81,776</u>	<u>15,769,750</u>
Less Accumulated Depreciation for:				
Buildings	573,072	71,425	18,800	625,697
Improvements Other Than Buildings	219,515	11,637	0	231,152
Machinery and Equipment	2,399,104	227,063	12,233	2,613,934
Vehicles	1,301,973	152,014	29,685	1,424,302
Infrastructure, Road Network	367,463	294,680	0	662,143
Total Accumulated Depreciation	<u>4,861,127</u>	<u>756,819</u>	<u>60,718</u>	<u>5,557,228</u>
Total Capital Assets Being Depreciated, Net	<u>9,964,343</u>	<u>269,237</u>	<u>21,058</u>	<u>10,212,522</u>
Governmental Activities Capital Assets, Net	<u>\$10,822,471</u>	<u>\$448,842</u>	<u>\$21,058</u>	<u>\$11,250,255</u>

Notes to Financial Statements (Continued)

Note 5: Capital Assets (Continued)

Depreciation expense was charged to the following functions:

Public Safety and Legal Services	\$24,768
Physical Health and Social Services	7,296
Mental Health	856
County Environment and Education	17,308
Roads and Transportation	634,505
Governmental Services to Residents	1,102
Administration	70,984
Total Depreciation Expense – Governmental Activities	<u>\$756,819</u>

Note 6: Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
Special Revenue		
Mental Health	Services	<u>\$143,337</u>
Total for governmental funds		<u>\$143,337</u>
Agency:		
Agricultural Extension	Collections	\$122,258
Assessor		175,405
Schools		5,503,239
Community Colleges		269,979
Corporations		3,067,027
Auto License & Use Tax		235,081
All Others		<u>912,596</u>
Total for agency funds		<u>\$10,285,585</u>

Notes to Financial Statements (Continued)

Note 7: Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	\$141,821	\$0	\$6,233	\$135,588	\$135,588
Drainage Warrants	600,211	308,059	269,064	639,206	0
Drainage Improvement Certificates	17,566	0	8,050	9,516	3,172
County Operating Loans	150,000	0	150,000	0	0
Secondary Road Loan	0	49,579	0	49,579	4,958
Installment Loan	0	22,350	7,881	14,469	7,027
Termination Benefits	3,083	15,105	8,009	10,179	4,212
Total	<u>\$912,681</u>	<u>\$395,093</u>	<u>\$449,237</u>	<u>\$858,537</u>	<u>\$154,957</u>

Installment Agreements

During the year ended June 30, 2008, the Sheriff entered into an installment agreement for the purchase of a squad car. The payments are due annually on January 4, 2008 through 2010. Payments during the year totaled \$7,881.

A summary of the County's indebtedness is as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$7,027	\$854	\$7,881
2010	7,442	439	7,881
	<u>\$14,469</u>	<u>\$1,293</u>	<u>\$15,762</u>

County Operating Loan

On August 1, 2006, the County issued \$150,000 of General Obligation General County Purpose Notes for County operations. The note will be paid in full by October 31, 2007 with 4.5% interest. The maturity date was subsequently extended to May 15, 2008, with the same interest rate. The note was paid in full during the year ended June 30, 2008.

Secondary Road Note

On April 15, 2008, Secondary Road entered into a loan agreement for \$49,579 for the purpose of construction of a road. The loan will be repaid with special assessments collected from the adjoining land owners. The loan requires annual payments of principal and interest on November 1, 2008 through 2018. Interest is 4%.

Notes to Financial Statements (Continued)

Note 7: Changes in Long-Term Liabilities (Continued)

A summary of the County's indebtedness is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$4,958	\$1,102	\$6,060
2010	4,958	1,810	6,768
2011	4,958	1,609	6,567
2012	4,958	1,407	6,365
2013	4,958	1,210	6,168
2014-2018	24,789	3,016	27,805
	<u>\$49,579</u>	<u>\$10,154</u>	<u>\$59,733</u>

Retirement Benefits

Secondary Road workers who retire after 20 years of continuous service shall receive the basic single policy of health or supplemental insurance through the County for the first three years from the date of the employee's last day of work. During the year ended June 30, 2008, premiums were paid for three retirees totaling \$8,009.

A summary of the liability for one remaining employee is as follows:

<u>Year ended June 30,</u>	
2009	\$4,212
2010	4,212
2011	1,755
	<u>\$10,179</u>

Drainage Warrants/Drainage Improvement Certificates Payable

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

Drainage improvement certificates payable represent amounts due to purchasers of drainage improvement certificates. Drainage improvement certificates are waivers that provide for a landowner to pay an improvement assessment in installment payments over a designated number of years with interest at a designated interest rate. The improvement certificates representing those assessments or installments due from the landowner are sold for cash as interest bearing certificates. Funds received from the sale of certificates are used to pay outstanding registered warrants issued to contractors who perform work on drainage district improvements and registered warrants issued for other related costs.

Notes to Financial Statements (Continued)

Note 7: Changes in Long-Term Liabilities (Continued)

Drainage improvement certificates are redeemed and interest paid to the bearer of the certificate upon receipt of the installment payment plus interest, from the landowner.

Drainage warrants and drainage improvement certificates are paid from the Special Revenue Fund solely from drainage assessment against benefited properties.

Note 8: Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 3.90% of their annual covered salary and the County is required to contribute 6.05% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$184,319, \$169,316 and \$158,861, respectively, equal to the required contributions for each year.

Note 9: Risk Management

Winnebago County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 563 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expense due and payable in the current year, plus all of any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

Notes to Financial Statements (Continued)

Note 9: Risk Management (Continued)

The County's property and casualty contribution to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2008 were \$81,046.

The Pool uses reinsurance and excess risk sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000 such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk sharing protection provided by the member's risk sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such losses have occurred and the amount of such losses can be reasonably estimated. Accordingly, at June 30, 2008, no liability has been recorded in the County's financial statements. As of June 30, 2008, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue such membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Member withdrawing within the first six years of membership may receive a partial refund of the capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution, which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for the coverage associated with worker's compensation and employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. The County assumes responsibility for worker's compensation and employee blanket bond claims in excess of \$1,000,000 and \$50,000, respectively. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10: Employee Health Insurance

The Internal Service, Employee Group Health was established to account for the funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark.

Notes to Financial Statements (Continued)

Note 10: Employee Health Insurance (Continued)

Monthly payments of plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the agreement with Wellmark monthly payments of premiums are paid to Wellmark from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2008 was \$501,518.

Note 11: Related Party Transaction

Business transactions were noted between the County and County officials or employees.

Note 12: E911 Enhancement Loan

On August 31, 2004, the County entered into an agreement to borrow \$130,000 to improve the E911 service system.

The loan was issued by the Titonka Savings Bank to provide funding for new equipment. The loan is secured by a pledge of surcharge revenues payable to the Joint E911 Service Boards. Loan principal and interest payments are made by the County from the surcharge revenues.

The loan shall not be a general obligation of the E911 Service Board or the County nor shall the County in any manner be liable by reason of the failure of the surcharge revenues or monies available in the fund, to be sufficient for the payment of the loan.

During the year ended June 30, 2008, principal of \$26,683 and interest of \$1,723 were paid for the E911 Service Board. The payments are not included in the County's financial statements.

The following is a schedule of payments under the agreement in effect at June 30, 2008:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2009		\$27,632	\$774	\$28,406
2010		7,063	38	7,101
		<u>\$34,695</u>	<u>\$812</u>	<u>\$35,507</u>

WINNEBAGO COUNTY
Forest City, Iowa

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN BALANCES
BUDGET AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2008**

	Actual	Less Funds Not Required to Be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
RECEIPTS:						
Property & Other County Tax	\$4,011,198	\$0	\$4,011,198	\$4,012,504	\$4,012,504	\$(1,306)
Interest & Penalty on Property Tax	30,677	0	30,677	28,200	28,200	2,477
Intergovernmental	3,277,707	0	3,277,707	3,201,763	3,201,763	75,944
Licenses & Permits	30,295	0	30,295	3,970	3,970	26,325
Charges for Services	1,254,061	0	1,254,061	540,745	545,745	708,316
Use of Money & Property	148,034	0	148,034	128,030	128,030	20,004
Miscellaneous	725,520	550,673	174,847	336,750	524,750	(349,903)
Total Receipts	9,477,492	550,673	8,926,819	8,251,962	8,444,962	481,857
DISBURSEMENTS:						
Public Safety & Legal Services	1,169,769	0	1,169,769	1,262,011	1,287,311	117,542
Physical Health & Social Services	707,352	0	707,352	693,952	768,952	61,600
Mental Health	1,444,891	0	1,444,891	1,298,380	1,451,380	6,489
County Environment & Education	510,723	0	510,723	541,777	549,777	39,054
Roads & Transportation	2,954,445	0	2,954,445	3,058,000	2,853,000	(101,445)
Governmental Services to Residents	332,914	0	332,914	422,407	421,093	88,179
Administrative Services	713,105	0	713,105	900,661	906,175	193,070
Non-Program	1,037,059	817,538	219,521	169,912	169,912	(49,609)
Debt Service	165,447	0	165,447	156,800	157,800	(7,647)
Capital Projects	1,046,157	0	1,046,157	600,500	1,073,296	27,139
Total Disbursements	10,081,862	817,538	9,264,324	9,104,400	9,638,696	374,372
Excess (Deficiency) of Receipts Over (Under) Disbursements	(604,370)	(266,865)	(337,505)	(852,438)	(1,193,734)	856,229
Other Financing Sources, Net	416,610	308,059	108,551	2,500	2,500	106,051
Excess (Deficiency) of Receipts & Other Financing Sources Over (Under) Disbursements & Other Financing Uses	(187,760)	41,194	(228,954)	(849,938)	(1,191,234)	962,280
Balance Beginning of Year	3,072,377	105,145	2,967,232	2,165,285	2,165,285	801,947
Balance End of Year	\$2,884,617	\$146,339	\$2,738,278	\$1,315,347	\$974,051	\$1,764,227

See Accompanying Independent Auditors' Report

WINNEBAGO COUNTY
Forest City, Iowa

BUDGET COMPARISON SCHEDULE –
BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2008

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$9,477,492	\$96,216	\$9,573,708
Expenditures	10,081,862	(104,526)	9,977,336
Net	(604,370)	200,742	(403,628)
Other Financing Sources, Net	416,610	33,350	449,960
Beginning Fund Balances	3,072,377	292,789	3,365,166
Increase (Decrease) in Reserve For:			
Notes Receivable	0	(2,500)	(2,500)
Inventories	0	17,560	17,560
Ending Fund Balances	\$2,884,617	\$541,941	\$3,426,558

See Accompanying Independent Auditors' Report

**Winnebago County
Forest City, Iowa**

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$534,296. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board and for the E911 System by the Joint E911 Service Board.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the Roads & Transportation, Non-Program and Debt Service functions.

WINNEBAGO COUNTY
Forest City, Iowa
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2008

	Resource Enhancement & Protection	County Recorder's Records Management	Conservation Land Acquisition Trust
ASSETS			
Cash & Pooled Investments	\$15,807	\$12,464	\$(50,424)
Receivables:			
Property Tax:			
Delinquent	0	0	0
Succeeding Year	0	0	0
Accounts	0	617	102,825
Accrued Interest	3	15	10
Drainage Assessments	0	0	0
Due from Other Governments	0	0	0
TOTAL ASSETS	\$15,810	\$13,096	\$52,411
LIABILITIES & FUND BALANCES			
Liabilities:			
Accounts Payable	\$0	\$0	\$77
Interest Payable	0	0	0
Salaries & Benefits Payable	0	0	0
Deferred Revenue			
Succeeding Year Property Tax	0	0	0
Other	0	0	0
Total Liabilities	0	0	77
Fund Balances:			
Unreserved	15,810	13,096	52,334
TOTAL LIABILITIES & FUND BALANCES	\$15,810	\$13,096	\$52,411

See Accompanying Auditor's Report

Schedule 1

Local Option Sales Tax	Tax Increment Financing	Seizure	DARE	Jail Phone Account	Board Prisoners
\$0	\$0	\$5,119	\$5,262	\$3,458	\$72,792
0	0	0	0	0	0
0	175,028	0	0	0	0
0	0	0	0	0	0
0	0	0	2	1	59
0	0	0	0	0	0
30,040	0	0	0	0	0
\$30,040	\$175,028	\$5,119	\$5,264	\$3,459	\$72,851
\$0	\$0	\$0	\$332	\$0	\$0
0	0	0	0	0	0
0	0	0	0	0	0
0	175,028	0	0	0	0
0	0	0	0	0	0
0	175,028	0	332	0	0
30,040	0	5,119	4,932	3,459	72,851
\$30,040	\$175,028	\$5,119	\$5,264	\$3,459	\$72,851

WINNEBAGO COUNTY
Forest City, Iowa

COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2008

	Sheriff's Reserve	Public Health	WinnWorth BETCO
ASSETS			
Cash & Pooled Investments	\$177	\$455,016	\$65,036
Receivables:			
Property Tax:			
Delinquent	0	0	0
Succeeding Year	0	0	0
Accounts	0	12,897	0
Accrued Interest	0	0	0
Drainage Assessments	0	0	0
Due from Other Governments	0	39,608	4,874
TOTAL ASSETS	\$177	\$507,521	\$69,910
LIABILITIES & FUND BALANCES			
Liabilities:			
Accounts Payable	\$0	\$9,330	\$967
Interest Payable	0	0	0
Salaries & Benefits Payable	0	8,038	0
Deferred Revenue			
Succeeding Year Property Tax	0	0	0
Other	0	0	0
Total Liabilities	0	17,368	967
Fund Balances:			
Unreserved	177	490,153	68,943
TOTAL LIABILITIES & FUND BALANCES	\$177	\$507,521	\$69,910

Schedule 1 (Continued)

Solid Waste Management	EMS Training/ Ambulance	County Home Trust	Drainage	Debt Service	Total
\$0	\$2,272	\$54,319	\$146,339	\$2,882	\$790,519
0	0	0	0	896	896
0	0	0	0	0	175,028
20,286	0	0	0	0	136,625
25	0	56	0	0	171
0	0	0	377,795	0	377,795
0	0	0	0	0	74,522
<u>\$20,311</u>	<u>\$2,272</u>	<u>\$54,375</u>	<u>\$524,134</u>	<u>\$3,778</u>	<u>\$1,555,556</u>
\$0	\$0	\$0	\$0	\$0	\$10,706
0	0	0	69,651	0	69,651
0	0	0	0	0	8,038
0	0	0	0	0	175,028
0	0	0	377,795	896	378,691
0	0	0	447,446	896	642,114
<u>20,311</u>	<u>2,272</u>	<u>54,375</u>	<u>76,688</u>	<u>2,882</u>	<u>913,442</u>
<u>\$20,311</u>	<u>\$2,272</u>	<u>\$54,375</u>	<u>\$524,134</u>	<u>\$3,778</u>	<u>\$1,555,556</u>

WINNEBAGO COUNTY
Forest City, Iowa

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2008**

	Resource Enhancement & Protection	County Recorder's Records Management	Conservation Land Acquisition Trust
Revenues:			
Property and Other County Tax	\$0	\$0	\$0
Intergovernmental	13,493	0	119,598
Licenses and Permits	0	0	0
Charges for Services	0	2,384	2,395
Use of Money and Property	84	185	140
Miscellaneous	0	0	50,096
Total Revenues	13,577	2,569	172,229
Expenditures:			
Operating:			
Public Safety and Legal Services	0	0	0
Physical Health and Social Services	0	0	0
County Environment and Education	20,513	0	0
Governmental services to residents	0	0	0
Non-Program	0	0	0
Debt Service	0	0	0
Capital Projects	0	0	151,693
Total Expenditures	20,513	0	151,693
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,936)	2,569	20,536
Other Financing Sources (Uses):			
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
Proceeds from Issuance of Stamped Warrants	0	0	0
	0	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(6,936)	2,569	20,536
Fund Balances – Beginning of Year	22,746	10,527	31,798
Fund Balances – End of Year	\$15,810	\$13,096	\$52,334

See Accompanying Auditor's Report

Schedule 2

County Recorder's Electronic Transaction	Local Option Sales Tax	Tax Increment Financing	Seizure	DARE	Jail Phone Account	Board Prisoners
\$0	\$309,415	\$230,792	\$0	\$0	\$0	\$0
0	0	118	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	1,122	18,779
0	0	0	0	43	24	1,182
0	0	0	0	100	0	0
0	309,415	230,910	0	143	1,146	19,961
0	0	0	0	492	480	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
187	0	0	0	0	0	0
0	0	214,777	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
187	0	214,777	0	492	480	0
(187)	309,415	16,133	0	(349)	666	19,961
0	0	0	0	0	0	0
0	(304,740)	(16,133)	0	0	0	0
0	0	0	0	0	0	0
0	(304,740)	(16,133)	0	0	0	0
(187)	4,675	0	0	(349)	666	19,961
187	25,365	0	5,119	5,281	2,793	52,890
\$0	\$30,040	\$0	\$5,119	\$4,932	\$3,459	\$72,851

WINNEBAGO COUNTY
Forest City, Iowa

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)**
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	Sheriff's Reserve	Fair Association	Public Health
Revenues:			
Property and Other County Tax	\$0	\$0	\$0
Intergovernmental	0	0	124,233
Licenses and Permits	0	0	7,485
Charges for Services	0	0	439,298
Use of Money and Property	9	0	0
Miscellaneous	716	0	11,053
Total Revenues	725	0	582,069
Expenditures:			
Operating:			
Public Safety and Legal Services	2,827	0	0
Physical Health and Social Services	0	0	567,894
County Environment and Education	0	32,000	0
Governmental Services to Residents	0	0	0
Non-Program	0	0	0
Debt Service	0	0	0
Capital Projects	0	0	0
Total Expenditures	2,827	32,000	567,894
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,102)	(32,000)	14,175
Other Financing Sources (Uses):			
Operating Transfers In	0	32,000	218,000
Operating Transfers Out	0	0	0
Proceeds from Issuance of Stamped Warrants	0	0	0
Total Other Financing Sources (Uses)	0	32,000	218,000
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(2,102)	0	232,175
Fund Balances – Beginning of Year	2,279	0	257,978
Fund Balances – End of Year	\$177	\$0	\$490,153

See Accompanying Auditor's Report

Schedule 2 (Continued)

WinnWorth BETCO	Housing Commission	Solid Waste Management	Employee Health & Wellness	EMS Training/ Ambulance	County Home Trust	Drainage	Debt Service	Total
\$4,874	\$0	\$0	\$0	\$0	\$0	\$0	\$148,978	\$694,059
61,772	0	0	0	4,242	0	0	8,642	332,098
0	0	0	0	0	0	0	0	7,485
0	0	93,408	0	0	0	0	0	557,386
0	0	375	0	0	1,091	0	0	3,133
840	0	0	0	0	0	550,673	112	613,590
67,486	0	93,783	0	4,242	1,091	550,673	157,732	2,207,751
0	0	0	0	15,000	0	0	0	18,799
0	0	0	0	0	0	0	0	567,894
109,522	0	0	0	0	0	0	0	162,035
0	0	0	0	0	0	0	0	187
0	0	0	0	0	0	812,623	0	1,027,400
0	0	0	0	0	0	0	157,566	157,566
0	0	0	0	0	0	0	0	151,693
109,522	0	0	0	15,000	0	812,623	157,566	2,085,574
(42,036)	0	93,783	0	(10,758)	1,091	(261,950)	166	122,177
42,884	0	0	0	0	0	0	5,000	297,884
0	(200)	(94,893)	(15)	0	0	0	(2,326)	(418,307)
0	0	0	0	0	0	308,059	0	308,059
42,884	(200)	(94,893)	(15)	0	0	308,059	2,674	187,636
848	(200)	(1,110)	(15)	(10,758)	1,091	46,109	2,840	309,813
68,095	200	21,421	15	13,030	53,284	30,579	42	603,629
\$68,943	\$0	\$20,311	\$0	\$2,272	\$54,375	\$76,668	\$2,882	\$913,442

WINNEBAGO COUNTY
Forest City, Iowa

**COMBINING SCHEDULE OF
FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2008**

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
ASSETS					
Cash & Pooled Investments:					
County Treasurer	\$0	\$2,320	\$64,499	\$99,126	\$5,110
Other County Officials	10,171	0	0	0	0
Receivables:					
Property Tax:					
Delinquent	0	25	24	1,157	56
Succeeding Year	0	119,913	117,590	5,402,956	264,813
Accounts	130	0	0	0	0
Accrued Interest	0	0	0	0	0
Assessments	0	0	0	0	0
TOTAL ASSETS	\$10,301	\$122,258	\$182,113	\$5,503,239	\$269,979

LIABILITIES

Accounts Payable	\$0	\$0	\$179	\$0	\$0
Due to Other Governments	251	122,258	175,405	5,503,239	269,979
Trusts Payable	10,050	0	0	0	0
Compensated Absences	0	0	6,529	0	0
TOTAL LIABILITIES	\$10,301	\$122,258	\$182,113	\$5,503,239	\$269,979

See Accompanying Independent Auditors' Report

Schedule 3

Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$26,409	\$2,656	\$902	\$235,081	\$292,664	\$728,767
0	0	0	0	0	10,171
1,031	20	0	0	34	2,347
3,039,587	116,592	0	0	163,308	9,224,759
0	0	0	0	21,870	22,000
0	0	0	0	277	277
0	2,196	389,869	0	0	392,065
<u>\$3,067,027</u>	<u>\$121,464</u>	<u>\$390,771</u>	<u>\$235,081</u>	<u>\$478,153</u>	<u>\$10,380,386</u>
\$0	\$0	\$0	\$0	\$61,809	\$61,988
3,067,027	121,464	390,771	235,081	400,110	10,285,585
0	0	0	0	14,220	24,270
0	0	0	0	2,014	8,543
<u>\$3,067,027</u>	<u>\$121,464</u>	<u>\$390,771</u>	<u>\$235,081</u>	<u>\$478,153</u>	<u>\$10,380,386</u>

WINNEBAGO COUNTY
Forest City, Iowa

COMBINING SCHEDULE OF CHANGES IN
FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2008

	County Offices	Agricultural Extension Education	County Assessor
Assets and Liabilities			
Balances – Beginning of Year	\$15,364	\$111,098	\$167,896
Additions:			
Property and Other County Tax	0	120,116	117,792
E911 Surcharge	0	0	0
State Tax Credits	0	6,847	6,798
Office Fees and Collections	254,860	0	0
Electronic Transaction Fees	0	0	0
Auto License, Use Tax and Postage	0	0	0
Assessments	0	0	0
Trusts	711,632	0	0
Miscellaneous	0	90	1,048
Total Additions	966,492	127,053	125,638
Deductions:			
Agency Remittances:			
To Other Funds	129,689	0	0
To Other Governments	93,775	115,893	111,421
Trusts Paid Out	748,091	0	0
Total Deductions	971,555	115,893	111,421
Balances – End of Year	\$10,301	\$122,258	\$182,113

See Accompanying Independent Auditors' Report

Schedule 4

Schools	Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$5,040,738	\$244,513	\$2,808,689	\$113,642	\$414,730	\$235,466	\$416,561	\$9,568,697
5,405,257	265,260	3,048,572	117,311	0	0	163,546	9,237,854
0	0	0	0	0	0	98,776	98,776
310,017	15,085	146,057	6,252	0	0	7,809	498,865
0	0	0	0	0	0	0	254,860
0	0	0	0	0	0	2,337	2,337
0	0	0	0	0	2,652,156	0	2,652,156
0	0	0	313	83,670	0	0	83,983
0	0	0	0	0	0	110,755	822,387
4,112	199	0	109	0	0	220,124	225,682
5,719,386	280,544	3,194,629	123,985	83,670	2,652,156	603,347	13,876,900
0	0	0	0	0	85,776	0	215,465
5,256,885	255,078	2,936,291	116,163	107,629	2,566,765	434,818	11,994,718
0	0	0	0	0	0	106,937	855,028
5,256,885	255,078	2,936,291	116,163	107,629	2,652,541	541,755	13,065,211
\$5,503,239	\$269,979	\$3,067,027	\$121,464	\$390,771	\$235,081	\$478,153	\$10,380,386

WINNEBAGO COUNTY
Forest City, Iowa

SCHEDULE OF REVENUES BY SOURCE
AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
For the Last Six Years

	Modified Accrual Basis	
	2008	2007
Revenues:		
Property and Other County Tax	\$4,020,706	\$3,833,937
Interest and Penalty on Property Tax	29,296	39,916
Intergovernmental	3,336,356	4,233,902
Licenses and Permits	31,094	4,789
Charges for Service	1,279,985	746,885
Use of Money and Property	141,908	153,053
Miscellaneous	734,363	866,228
Total	<u>\$9,573,708</u>	<u>\$9,878,710</u>
Expenditures:		
Operating:		
Public Safety and Legal Services	\$1,206,878	\$1,028,744
Physical Health and Social Services	714,991	630,928
Mental Health	1,446,283	1,376,244
County Environment and Education	524,126	492,594
Roads and Transportation	2,792,585	3,147,858
Government Services to Residents	333,528	340,398
Administrative Services	715,120	723,964
Non-Program	1,032,144	2,388,287
Debt Service	165,447	0
Capital Projects	1,046,234	239,610
Total	<u>\$9,977,336</u>	<u>\$10,368,627</u>

See Accompanying Independent Auditors' Report

2006	2005	2004	2003
\$3,442,431	\$3,436,568	\$3,425,587	\$3,207,833
29,813	23,197	23,710	25,627
3,291,966	3,592,136	3,343,500	3,249,146
1,440	6,688	4,318	5,437
526,760	635,858	623,015	532,835
88,420	64,266	47,350	77,013
1,230,263	672,265	553,359	485,504
\$8,611,093	\$8,430,978	\$8,020,839	\$7,583,395

\$1,159,504	\$1,028,856	\$1,068,430	\$947,793
921,911	638,859	634,685	595,080
1,230,189	1,283,480	1,319,996	1,425,307
577,202	528,916	589,841	292,896
2,789,407	3,056,178	2,846,418	3,205,298
443,203	357,808	334,201	716,100
737,438	699,019	724,891	2,848
1,896,728	863,504	597,397	812,449
0	327,919	119,324	0
117,327	282,570	493,070	936,125
\$9,872,909	\$9,067,109	\$8,728,253	\$8,933,896



Gardiner Thomsen
Certified Public Accountants

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Officials of Winnebago County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Winnebago County, Forest City, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated March 13, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Winnebago County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Winnebago County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Winnebago County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Winnebago County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Winnebago County's financial statements that is more than inconsequential will not be prevented or detected by Winnebago County's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Winnebago County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items A, B, C and D are material weaknesses.

Compliance and Other Matters.

As part of obtaining reasonable assurance about whether Winnebago County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Winnebago County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Winnebago County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Winnebago County and other parties to whom Winnebago County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Winnebago County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

March 13, 2009

Gardiner Thomsen, P.C.

WINNEBAGO COUNTY
Forest City, Iowa

Schedule of Findings
Year Ended June 30, 2008

Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES:

- A. **Segregation of Duties** – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, County Officials should review the operating procedures of each office to obtain the maximum internal control possible under the circumstances.

Response – We have reviewed procedures and plan to make the necessary changes to improve internal control. Specifically, the custody, record-keeping and reconciling function currently performed by each office will be separated and spread among the County Official, Deputy and Clerk.

Conclusion – Response accepted.

- B. **Financial Reporting** – During the audit, we identified material amounts of receivables, payables and proceeds of debt not recorded or incorrectly recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include or remove these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables, payables and proceeds of debt are identified and included in the County's financial statements.

Response – We will revise our current procedures to ensure the proper amounts are recorded in the financial statements in the future.

Conclusion – Response accepted

- C. **Preparation of Full Disclosure Financial Statements** – Internal controls over financial reporting include the actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by generally accepted accounting principles. Winnebago County does not have the internal resources to prepare the full-disclosure financial statements required by GAAP for external reporting. While this circumstance is not uncommon for most governmental entities, it is the responsibility of management and those charged with governance, to prepare reliable financial data, or accept the risk associated with this condition because of cost or other considerations.

WINNEBAGO COUNTY
Forest City, Iowa

Schedule of Findings
Year Ended June 30, 2008

Findings Related to the Financial Statements (Continued)

Recommendation – We recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles and preparing full disclosure financial statements for external reporting purposes is difficult. However, we recommend that County officials continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external financial reporting, rather than rely on external assistance.

Response – We recognize our limitations, however it is not fiscally responsible to add additional staff at this time

Conclusion – Response acknowledged.

- D. **Debt Issuance** – During the audit, we identified an installment loan agreement for which no public hearing was held, as required by Chapter 333.479 of the Code of Iowa. In addition, proceeds of two debt issuances were not properly recorded.

Recommendation – All issuances of debt should be preceded by a public hearing as required by the Code of Iowa.

Response – We will follow proper procedures for issuing debt in the future as required by the Code of Iowa.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters reported.

Other Findings Related to Required Statutory Reporting

1. **Certified Budget** – Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in the Roads and Transportation, Non-Program and Debt Service functions. Disbursements in certain departments exceed the amounts appropriated.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

WINNEBAGO COUNTY
Forest City, Iowa

Schedule of Findings
Year Ended June 30, 2008

Findings Related to the Financial Statements (Continued)

Response – We will amend the budget when required and appropriations will be watched more closely by the departments. We will award additional appropriations when necessary.

Conclusion – Response accepted.

2. **Questionable Expenditures** – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion date April 25, 1979.
3. **Travel Expense** – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
4. **Business Transactions** – The following business transactions between the County and County officials or employees were noted.

Name, Title, and Business Relationship	Description	Amount
Jennifer Fjelstad – County Auditor David's Super Foods – Owned by Jennifer's Husband and Family	Paid Provisions	\$150
Sandy Larson – Sheriff's Secretary The Body Works – Owned by Sandy's Husband	Vehicle Repairs	\$511
Teresa Nicholson – Economic Development Executive Director Customized Computer Services – Owned by Mark Peterson, Teresa Nicholson's Brother	Computers & Computer Service	\$2,902

The goods and services purchased from David's Super Foods and The Body Works do not appear to represent conflicts of interest as the goods and services purchased were not in excess of \$1,500 as provided by Chapter 331.342 of the Code of Iowa.

In accordance with Chapter 331.342 of the Code of Iowa, the transactions over \$1,500 with Customized Computer Services do not appear to represent conflicts of interest as the contracts were made upon competitive bid, in writing, publicly invited and opened.

WINNEBAGO COUNTY
Forest City, Iowa

Schedule of Findings
Year Ended June 30, 2008

Other Findings Related to Required Statutory Reporting (Continued)

5. **Bond Coverage** – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to ensure that the coverage is adequate for current operations.
6. **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not. However, the Board went into closed session on September 11, 2007 and the roll call vote was not documented in the Board minutes. On January 29, 2008 the Board went into a closed session and the specific exemption was not cited in the Board minutes.

Recommendation – The Board of Supervisors should ensure that all closed meetings comply with Chapter 21 of the Code of Iowa. Chapter 21.5 of the Code of Iowa requires the closed session to be closed by affirmative roll call vote of at least two-thirds of the Board members. This roll call vote should be documented in the official Board minutes. Also, Chapter 21.5 of the Code of Iowa requires the specific exemption to be identified and documented in the Board of minutes.

Response – These instances were oversights. The roll call vote was taken to close the September 11, 2007 session. However, the roll call vote was not documented in the minutes. The specific exemption for the January 29, 2008 closed session was discussed during the meeting, however, it was not documented in the minutes. We will document these items in future closed session situations.

Conclusion – Response accepted.

7. **Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
8. **Resource Enhancement and Protection Certification** – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19 (1)(b) of the Code of Iowa in order to receive additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
9. **County Extension Office** – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2008 for the County Extension Office did not exceed the amount budgeted.

News Release

Gardiner Thomsen, P.C. today released an audit report on Winnebago County, Iowa.

Gardiner Thomsen, P.C. reported that the County had local tax revenue of \$13,065,324 for the year ended June 30, 2008, which included \$711,514 in tax credits from the State. The County then forwarded \$8,919,806 of the local tax revenue to the townships, school districts, cities, and other taxing bodies in the County.

The County retained \$3,478,479 of the local tax revenue to finance County operations, a 6% increase from the prior year. Other revenues included charges for service of \$2,192,798, operating grants, contributions and restricted interest of \$2,780,142, unrestricted investment earnings of \$135,846 and other general revenues of \$120,544.

Expenses for the County operations totaled \$9,282,503, a 3% increase from the prior year. Expenses included \$3,392,432 for Roads and Transportation, \$1,454,309 for Mental Health and \$1,202,372 for Public Safety and Legal Services..

A copy of the audit report is available for review in the office of the Auditor of State and the Winnebago County Auditor's office.

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